A Decade of Cost Sharing in Kenya: Sharing the Burden Yields Better Health Services, Higher Quality

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Kenya: APHIA Financing and Sustainability Project
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APHIA Financing and Sustainability Project
A DECADE OF COST SHARING

Sharing the burden yields better health services, higher quality.

Prescription – Major surgery

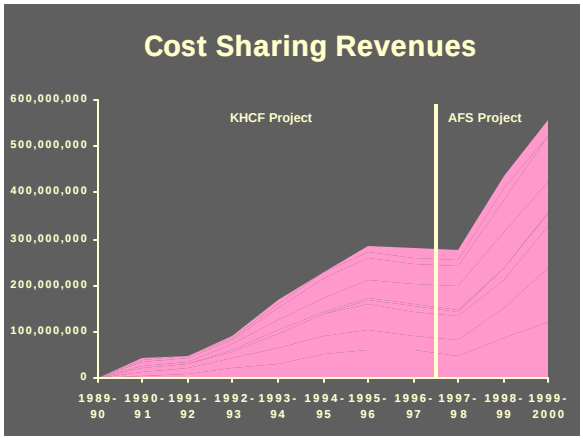
After two decades of virtually free health care services, Kenya's health sector was on the verge of collapse. Severe economic decline pushed the government to the point where it was unable to continue providing free services. Sweeping reform, including an infusion of revenue, was needed desperately to resuscitate the sector.

Under a bold, precedent-setting program, the Kenya government in 1989 greatly expanded the range of modest fees it was charging patients in government hospitals and health centers. Hospitals also were claiming insurance reimbursements from the National Hospital Insurance Fund. (It should be noted that the health sector was not alone; severe budget constraints also necessitated a cost sharing approach to education.)

The cost sharing program was one component of the APHIA Financing and Sustainability (AFS) Project, implemented by Management Sciences for Health with the support of the US Agency for International Development. The project provided a range of technical assistance to the Ministry of Health.

Decentralizing management – and incentives

The Ministry of Health sets the agenda on health policy but actual implementation now takes place at district and provincial level. District Health Management Boards oversee and monitor the use of cost sharing revenue to provide better controls and more transparency. The decentralization process has taken place over a number of years and provides an essential framework for the cost sharing program.



Government health facilities now have excellent incentive for improving accountability, efficiency and effectiveness at the grassroots. They are allowed to retain 75 percent of the revenue produced by cost sharing, while the remaining 25 percent is sent to the district health level, to finance primary and preventative health care.

Tightened financial controls

Other innovative management strategies have contributed to the success of cost sharing. Cash registers, replacing much-abused manual receipt systems, have

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played an important role in enhancing internal control of revenue collection. Previously a lot of revenue was "lost" at payment points or simply not billed to the patient. The cash registers have plugged the leakage, and they facilitate better accounting and record keeping.

Cost sharing accountability has also been enhanced by more rigorous supervision of set targets. Each hospital establishes an annual revenue goal, depending on the volume of patients. If this target is not achieved, supervisors can investigate and rectify problems with technical help and assistance from Ministry of Health headquarters officials.

Benefits go beyond revenue generation

Since its inception in 1989, cost sharing has yielded an impressive Ksh4 billion (US$67 million) in additional revenue. On that basis alone, it's the most successful program of its kind in sub-Saharan Africa and a model for other countries to follow.

Besides, a shift has occurred in responsibility for health care financing, away from the government and towards individuals. In the process, the markets of the private health insurance sector are enlarged and personal responsibility encouraged.

Combined with responsive and effective local management on the ground, cost sharing has enabled real quality improvements. At Kenya's second largest hospital, Coast Provincial General Hospital, patients report other benefits as well: More responsive emergency services, better availability of medicine, increased cleanliness, friendlier staff. The hospital is now a popular choice when medical attention is required. This in turn has increased revenue, enabling the hospital to purchase more equipment, drugs and supplies. Motivation has increased amongst staff, who are more prepared to assess their service, evaluate hospital costs and organize staff training, increasing accountability and minimizing corruption.

Fine-tuning the system

Without a doubt, cost sharing has played an important role in reversing the dire situation within the Kenyan health sector with measures to increase revenues, decrease fraud and strengthen accountability. There are two areas within the cost sharing program where improvements could be made, however. The first is health care access for the poor. There are specific guidelines on waivers and exemption of fees for diseases such as AIDS, but in hospitals where health services are already stretched these are often ignored.

The second area is the National Hospital Insurance Fund. Approximately 25 percent of the population contribute to the Fund, but claims procedures are so complex that reimbursements are often slow or not forthcoming at all. There is therefore a great incentive to develop a comprehensive social health insurance program for Kenya, where every citizen is able to benefit from improved government health care facilities throughout the country.

APHIA Financing and Sustainability Project

Implemented by Management Sciences for Health under USAID Contract No. 623-0264-C-00-7005, the project worked with Kenya's Ministry of Health and hospitals across the country to improve organizational performance and quality of services, control costs, increase revenues (and cash collection), and improve patient and staff satisfaction. The purpose of these activities was to improve the quality of care provided by the hospitals, as well as institutional sustainability.